



RETIREMENT SYSTEM OF THE CITY OF DETROIT

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MINUTES

Meeting No. 036

Police and Fire Retirement System Investment Committee

May 13, 2019

A meeting of the Investment Committee of the Police and Fire Retirement System of the City of Detroit was held on **Monday, May 13, 2019**, at the Retirement System's office at Ally Detroit Center, 500 Woodward Ave., Suite 3000; Detroit, Michigan. Robert Smith, Chairperson, called the meeting to order at 10:03 a.m.

A quorum was present.

ROLL CALL:

Attendance was taken by the Committee's Recording Secretary with the following Committee Members present: Robert Smith (Chairperson), McCullough Williams III (Vice Chairperson), Joseph Bogdahn (via telephone) Mark Diaz, George Orzech, Jeffrey Pegg, Robert Skandalaris, Gregory Trozak and Woodrow Tyler.

Staff Present: Kevin Kenneally (*Deputy Chief Investment Officer*), David Cetlinski (*Executive Director*), Kelly Tapper (*Assistant Executive Director*), Ronald King (*General Counsel – Clark Hill, P.C.*) and Kristl Grden (*Investment Analyst*).

Committee Members Excused: None

Staff Excused: None

Visitors Present: John Naglick, City of Detroit Chief Deputy Financial Officer and Police and Fire Retirement System Ex-Officio Trustee and Dean Pincheck, Police and Fire Retirement System Trustee

Approval of Agenda

Motion #01: Woodrow Tyler moved to approve the agenda dated **Monday May 13, 2019**. Jeffrey Pegg supported. The motion passed unanimously.

Approval of Minutes

Motion #02: McCullough Williams III moved to approve the Minutes of Meeting No. 035, held on **Monday, March 11th, 2019** Gregory Trozak supported. The motion passed unanimously.

Future Agenda Items:

- None

Presentation:

Chief Deputy CFO John Naglick discussed the following with the Committee:

- City of Detroit Long Term Forecast

Presentation materials were provided

The Presentation concluded at 10:28 a.m.

Presentation:

Gabriel, Roeder, Smith and Co.

Representatives Kenneth Alberts, Judith Kermans and David T. Kausch, from the system's Actuarial firm, Gabriel, Roeder, Smith and Co. discussed the following with the Committee:

- Annual Actuarial Valuation of Components I and II

Presentation materials were provided

The Presentation concluded at 11:30 a.m.

Motion #03: Jeffrey Pegg moved to acknowledge receipt of and approve the Annual Actuarial Valuation of Components I and II for the year ending June 30, 2018 and direct that copies are forwarded to the Police and Fire Retirement System Board of Trustees. Mark Diaz supported. The motion passed unanimously.

Presentation:

Hamilton Lane

Representative Katie Moore discussed the following with the Committee:

- May 2019 Private Equity Portfolio Update

Presentation materials were provided

➤ ***Chief Investment Officer Ryan Bigelow entered the meeting at 11:40 a.m.***

The Presentation concluded at 12:05 p.m.

Presentation:

Wilshire Consulting

Representative David Lindberg, Calvin Born and Joanna Bewick discussed the following with the Committee:

- Capital Markets Review/Update First Quarter 2019
- March 2019 Monthly Performance
- Opportunistic Credit Discussion

The Presentation concluded at 12:44 p.m.

Motion #04: Robert Skandalaris moved to approve the recommendation of the Chief Investment Officer and Investment Staff to commit \$60 million to the managers highlighted below for the DPFRS Private Credit Portfolio:

Direct Lending:

- **Churchill Asset Management:** \$10 million commitment to the Churchill Middle Market Senior Loan Fund III
- **Comvest Capital:** \$10 million commitment to Comvest Direct Lending Fund V
- **Raven Capital:** \$15 million commitment to Raven Asset-Based Opportunity Fund IV
- **Crescent Capital Group:** \$10 million commitment to Crescent European Specialty Lending Fund II
- **CLO Equity:** THL Credit: \$15 million commitment to THL CLO Equity Fund. Woodrow Tyler supported. The motion passed by vote as follows:

Yays: Diaz, Orzech, Skandalaris, Tyler, Trozak, Williams and Chairperson Smith – 5 ½

Nays: Pegg – ½

Committee Member Pegg's comment regarding his "NO" vote: "I would like to see additional due diligence performed before approval".

- ***The Committee recessed for lunch at 12:45 p.m. and adjourned the Committee's regular meeting.***
- ***Committee member Joseph Bogdahn joined the meeting via telephone at 1:05 p.m.***

The Committee reconvened at 1:05 p.m. for the purposes of a special joint conference/discussion with Trustees of the Police and Fire Retirement System Board regarding the Personnel Issues/ Compensation of Investment Staff. The following Police and Fire Board of Trustees were present: Michael Berent, John Naglick, Dean Pincheck and Steven Watson as well as IC members/Trustees Pegg, Orzech, Diaz and Trozak.

- ***Police and Fire Trustee Brenda Jones entered the Boardroom at 1:25 p.m.***
- ***Chairperson Robert Smith adjourned the special joint conference and called the Committee's regular meeting back to order at 1:58 p.m.***

ROLL CALL:

Attendance was taken by the Committee's Recording Secretary with the following Committee Members present: Robert Smith (Chairperson), McCullough Williams III (Vice Chairperson), Mark Diaz, George Orzech, Jeffrey Pegg, Robert Skandalaris, Gregory Trozak, Woodrow Tyler and Joseph Bogdahn (via telephone).

Re: Compensation Discussion

The Investment Committee of the Police and Fire Retirement System of the City of Detroit ("PFRS IC") together with Trustees from the Police and Fire Retirement System discussed the motion that was approved at the March 11th, 2019 Committee meeting adjusting the compensation of the Chief Investment Officer, Ryan Bigelow and Deputy Chief Investment Officer, Kevin Kenneally to the median range of "salary plus bonus" for Small Public Funds as referenced in the December 4, 2018 Investment Staff Competitive Pay Analysis prepared by McLagan- The McLagan report was prepared at the request of the PFRS IC. The primary focus of the discussion was with respect to the authority given per the Combined Plan to set compensation for the Investment Staff. After discussion, the following motions were made:

Motion #05: In review of the McLagan Report, Joseph Bogdahn moved to approve the compensation for Chief Investment Officer at \$315,000.00 effective January 1, 2019. If the Investment Committee of the General Retirement System of the City of Detroit (GRS IC) does not approve the aforementioned adjustment, the PFRS IC will cover the cost of the adjustment to be paid out of the PFRS Trust Fund pursuant to its authority under the Plan of Adjustment and State Contribution Agreement. Additionally, in the event the approved salary exceeds the maximum salary range as listed in the City's "White Book", that the PFRS Trust Fund will cover the difference. McCullough Williams III supported. The motion passed by a vote as follows:

Yea: Bogdahn, Diaz, Orzech, Skandalaris, Tyler, Trozak, Williams
and Chairperson Smith – 6 ½

Nay: Pegg- ½

Motion #06: Joseph Bogdahn moved to approve the compensation for the Deputy Chief Investment Officer at \$224,000.00 as an employee/hybrid employee depending on the administrative feasibility of doing so. This base compensation adjustment will be effective January 1, 2019 and if the Investment Committee of the General Retirement System of the City of Detroit does not approve the aforementioned adjustments or agree to share in the costs of these adjustments, the PFRS IC will cause all the expenses associated with these adjustments to be paid for out of the PFRS Trust Fund pursuant to its authority under the Plan of Adjustment and State Contribution Agreement. Furthermore, Investment Staff will be paid to the maximum of the salary range as listed in the City's "White Book". For any difference between the City's set compensation and that set forth by the IC, compensation will be paid by agreement between the PFRS Board and PFRS Investment Staff. If not administratively feasible, the System will accept the full amount of compensation for Investment Staff and provide for benefits separately as a hybrid/contractual employee. Robert Skandalaris supported. The motion passed by a vote as follows:

Yea: Bogdahn, Orzech, Skandalaris, Tyler, Williams
and Chairperson Smith – 5 ½

Nay: Diaz, Pegg and Trozak, - 1 ½

➤ ***Committee member Joseph Bogdahn left the call at 2:18 p.m.***

CHIEF INVESTMENT OFFICER'S REPORT

Chief Investment Officer, Ryan Bigelow, provided the following updates and discussion items for approval:

- American Realty update
 - No action needed
- Fiduciary Liability Coverage
 - No action needed; the underwriter will come before the committee at a later meeting to help assess the level of coverages
- Real Estate RFP memorandum
- CEM Benchmarking

LEGAL REPORT

General Counsel, Ronald King, provided the following informational items for discussion:

- Correspondence from Jeffrey Pegg, PFRS Board Chair, regarding disapproval of PFRS Investment Committee compensation adjustments.

New/Old Business

- **None**

ADJOURNMENT

Mark Diaz moved to adjourn meeting #36; Woodrow Tyler supported.

There being no further business before the Investment Committee, the meeting was adjourned at 2:24 p.m. The Investment Committee's next meeting is a teleconference scheduled for **Monday, July 22nd, 2019**, at 10:00 a.m. in the Retirement Systems' Conference Room, 500 Woodward Avenue Suite 3000; Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,



RYAN BIGELOW
CHIEF INVESTMENT OFFICER

Recording Secretary: TaKneisha Johnson